



County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 26, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains information on the following:

- **Pursuit of County Position to Oppose SB 791 (Wyland).** This measure would eliminate the requirement that the State Board of Equalization adjust the rate of the excise tax on motor vehicle fuel, and instead would require the Department of Finance to annually calculate that rate and report the calculated rate to the Joint Legislative Budget Committee. The rate for the State's next fiscal year would remain the same as the rate of the current fiscal year or would decrease, as provided. This bill would further state that the rate may increase upon two-thirds votes of the Legislature. This bill would take effect immediately as a tax levy. Unless otherwise directed by the Board, because this bill is contrary to existing policy to support proposals that guarantee an equal amount of gas excise tax revenue from the State as received by the County under Proposition 42 of 2002, **the Sacramento advocates will oppose SB 791.**
- **Status of Legislation of County Interest**
 - **AB 1151 (Ting)** - related to registration of property tax agents, passed the Assembly Local Government Committee on April 24, 2013.

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Pursuit of County Position on Legislation

SB 791 (Wyland), which as amended on April 4, 2013, would eliminate the requirement that the State Board of Equalization adjust the rate of the excise tax on motor vehicle fuel, and instead would require the Department of Finance (DOF) to annually calculate that rate and report that calculated rate to the Joint Legislative Budget Committee on or before March 1st of every year.

Under the provisions of SB 791, if the DOF finds that the calculated rate is equal to or less than the rate of the current fiscal year, the calculated rate shall be the rate that is effective during the State's next fiscal year. If the DOF finds that the calculated rate is greater than the rate of the current fiscal year, the rate effective for the State's next fiscal year shall continue to be the rate of the current fiscal year, unless the rate is increased by an act passed by not less than two-thirds of the membership of each house of the Legislature. If enacted, SB 791 would take effect immediately as a tax levy.

Existing law, known as the "gas tax swap," provides for a combination of lowering the sales and use tax rate applicable to sales of motor vehicle fuel, excluding aviation gasoline, and simultaneously raising the State excise motor vehicle fuel tax, effective July 1, 2010. Existing law imposes an 18-cent per gallon excise tax on each gallon of gasoline sold in the State. The gas tax swap imposes an additional excise tax on gasoline that the Board of Equalization (BOE) adjusts annually to equal the amount of sales tax that the State would charge on gasoline sales if they were subject to the State portion of the sales tax.

SB 791 would eliminate the requirement that the BOE annually adjust the fuel excise tax on gasoline, such that it would generate the same amount of revenues as the sales tax on gasoline would have generated, and would require that in order to increase the excise tax levied on the purchase of gasoline, the Legislature must approve the increase by a two-thirds vote.

The Department of Public Works (DPW) reports that fuel excise tax on gasoline provides the Department with approximately \$65.0 million annually for operation and maintenance of local streets and roads in the unincorporated areas of the County. Because current law provides that this revenue will keep pace with the revenues that would have been generated from the sales tax on gasoline, SB 791, if enacted, would eliminate any increase to the annual fuel excise tax rate and will result in a significant negative impact to the County's roadway system. DPW also notes that other sources of revenues received by the Department from the State, Federal, and local sources do not

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keep pace with inflation, and the continuing increase in the cost of construction material and labor to effectively operate, maintain, and improve the County's roadway network.

The Department of Public Works and this office oppose SB 791 because it is contrary to existing Board policy to support proposals that guarantee an equal amount of gas excise tax revenue from the State as received by the County under Proposition 42 of 2002. Therefore, unless otherwise directed by the Board, **the Sacramento advocates will oppose SB 791.**

There is no registered support for SB 791. The bill is opposed by: the California State Association of Counties; the League of California Cities; the Rural County Representatives of California; and the Urban County Caucus.

SB 791 is scheduled for hearing in the Senate Transportation and Housing Committee on April 30, 2013.

Legislation of County Interest

AB 1151 (Ting), which as amended April 16, 2013, would, beginning July 1, 2014, require property tax agents to register biannually with the Secretary of State before representing a taxpayer before any county official, passed the Assembly Local Government Committee by a vote of 5 to 1 on April 24, 2013. This measure now proceeds to the Assembly Revenue and Taxation Committee.

We will continue to keep you advised.

WTF:RA
MR:AO:ma

c: All Department Heads
Legislative Strategist